

Message Text

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ORIGIN EB-11

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OMB-01 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03 NSAE-00

NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12 STR-08 TAR-02

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TO AMEMBASSY LONDON

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E. O. 11652 N/ A

TAGS: EGEN

SUBJECT: COFFEE: PRESS COMMENT ON ICO MEETINGS

1. SINCE EXECUTIVE BOARD CONVENED, JOURNAL OF COMMERCE HAS CARRIED DAILY ARTICLES ON PROCEEDINGS. FOLLOWING ARTICLES APPEARED APRIL 9 AND APRIL 12 RESPECTIVELY, AND ARE REPRESENTATIVE CONSISTENT TONE.

2. " LONDON, APRIL 8 - THE UNITED STATES, WARNING THAT COFFEE PRICES WILL CONTINUE TO RISE AT HOME AND ABROAD, BELIEVES THE 62- NATION INTERNATIONAL COFFEE AGREEMENT IS NO LONGER NEEDED IN ITS PRESENT FORM, DIPLOMATIC SOURCES SAID TODAY.

THE AMERICAN POSITION WAS SPELLED OUT AS THE TREATY' S 14- NATION EXECUTIVE BOARD MET FOR THE SECOND DAY TO STUDY A PROPOSAL TO EXTEND THE 10- YEAR OLD AGREEMENT FOR ONE OR TWO YEARS WITHOUT ITS KEY EXPORT QUOTA AND PRICE- REGULATING MACHINERY.

DISPUTE CLAIM

THE SOURCES SAID THE U. S- AND OTHER CONSUMER COUNTRIES

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DISPUTE THE CLAIM BY BRAZIL AND OTHER PRODUCER COUNTRIES THAT THE ABSENCE OF AN AGREEMENT IN ITS PRESENT FORM WOULD ENDANGER THE ECONOMIES OF THE COFFEE- GROWING COUNTRIES OF LATIN AMERICA, AFRICA AND ASIA.

THE SOURCES GAVE THIS ACCOUNT OF THE U. S. POSITION:
THE ACCUMULATIVE EFFECT OF EXPORT QUOTAS DURING THE LIFE

OF THE AGREEMENT AND FROST IN BRAZIL LAST YEAR HAD LED TO A SHORTAGE OF COFFEE ON THE WORLD MARKET. THE SITUATION IS LIKELY TO INSURE A CONTINUING HIGH LEVEL OF FOREIGN EXCHANGE EARNINGS FOR THE PRODUCER COUNTRIES OVER THE NEXT SEVERAL YEARS.

RETAIL PRICES IN THE U. S. AND OTHER COUNTRIES ARE LIKELY TO REFLECT THE FULL IMPACT OF THE BRAZILIAN FROST IN THE COMING MONTHS.

HIGHEST PRICES
THE PREVAILING LEVEL OF COFFEE PRICES ON THE WORLD MARKET, NOW AVERAGING ABOUT 60 U. S. CENTS PER POUND, IS THE HIGHEST IN THE AGREEMENT'S HISTORY AND MORE THAN COMPENSATES PRODUCERS FOR THE TWO DEVALUATIONS OF THE DOLLAR.

THE U. S. IS " ALL FOR" A NEW AGREEMENT TO REPLACE THE PRESENT ONE WHICH EXPIRES SEPT.30 BUT IS NOT PREPARED TO NEGOTIATE A NEW TREATY WHICH DOES NOT PROVIDE FOR THE SUSPENSION OF EXPORT QUOTAS WHEN PRICES REACH UNDULY HIGH LEVELS.

IN THE ABSENCE OF AGREEMENT WITHIN THE PRODUCERS ON THE FORM A NEW TREATY SHOULD TAKE, THE U. S. FAVORS A ONE- OR- TWO YEAR EXTENSION OF THE PRESENT AGREEMENT WITHOUT ITS QUOTA OR PRICE- REGULATING PROVISIONS IN ORDER TO ALLOW MORE TIME TO NEGOTIATE A NEW PACT, THE SOURCES SAID.

PRODUCER SOURCES SAID THE U. S. HAS SAID IT WILL ACCEPT A REVIVAL OF THE QUOTA MACHINERY ONLY IF PRICES REACH " DISASTER LEVEL."

THE SOURCES SAID THE RESPONSE FROM ONE MAJOR PRODUCER DELEGATION WAS THAT THIS WOULD DEMOTE THE COFFEE AGREEMENT TO THE STATUS OF AN " INTERNATIONAL RED CROSS SOCIETY" FOR COFFEE AND THE COUNTRIES PRODUCING IT."
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3. " LONDON APRIL 11 - THE U. S. HAS CALLED FOR THE REMOVAL OF THE PREAMBLE TO THE INTERNATIONAL COFFEE AGREEMENT WHICH RECOGNIZES THE IMPORTANCE OF COFFEE TO SOME 50 LATIN AMERICAN, AFRICAN AND ASIAN COUNTRIES. LATIN AMERICAN DELEGATES SAID TONIGHT.

IN A RELATED DEVELOPMENT, THE DELEGATES SAID THE TREATY' S 14- NATION EXECUTIVE BOARD HAS DECIDED TO RECOMMEND A 50 PER CENT REDUCTION IN THE AGREEMENT' S 130- MEMBER ADMINISTRATIVE STAFF.

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THE TREATY' S 62 MEMBER COUNTRIES OPEN A THREE- DAY MEETING THURSDAY TO VOTE ON A PROPOSAL SUPPORTED BY THE U. S. AND OTHER INDUSTRIALIZED COUNTRIES TO EXTEND THE 10- YEAR OLD AGREEMENT WITHOUT ITS KEY PRICE- SUPPORT MACHINERY.

THE U. S. HAS ENOUGH VOTES TO INSURE PASSAGE OF THE PROPOSAL, ENDING THE SUPPORT THE TREATY HAS GIVEN TO THE WORLD' S COFFEE GROWING COUNTRIES." ROGERS

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